



Tax Incentives Will Boost Energy-Efficiency Retrofits



BY GREG HARDWICK

In February 2009, Congress approved and President Obama signed the \$787 billion stimulus package, officially known as the American Recovery and Reinvestment Act of 2009 (ARRA).

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The National Association of Home Builders (NAHB) and congressional estimates indicate the new rules for the Energy Efficiency Tax Credits will increase aggregate remodeling activity by more than \$6 billion. So how can Florida builders and remodelers capitalize in on this market? The answer is by becoming educated on these incentives to help potential customers make the most of these benefits.

The energy-efficiency and conservation tax incentives under section 25C were expanded at the end of 2008 and further revised for energy-efficient home improvements as part of ARRA. The new law also expands the

credit rate from 10 percent to 30 percent (installed costs) and raised the lifetime cap from \$500 to \$1,500 in most cases. Additionally, the cap is \$1,500 for all improvements, but can be taken in one component (i.e. windows). The cap does not apply to

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geothermal heat pumps, solar water heaters, solar voltaic panels, fuel cells, and wind turbines. These items can get a tax credit of 30 percent of the installed cost plus they are available until 2016.

Many of the incentive-qualifying products are set at the ENERGY STAR™ level. For example, all ENERGY STAR metal and asphalt roofs qualify; all ENERGY STAR tankless gas, solar, and electric heat pump water heaters qualify; and all ENERGY STAR geothermal heat pumps qualify. Still other product specifications will exceed current ENERGY STAR qualifications. One of the most talked about changes relate to the new window and door minimum values.

To claim the tax credit windows must have a U-Factor of 0.30 and a Solar Heat Gain Coefficient (SHGC) of 0.30, exceeding ENERGY STAR specifications. Depending on what windows a builder is using as their minimum specification, this new threshold may be hard to justify. In addition not all ENERGY STAR qualified Doors and HVAC Systems make the cut.

In most cases, to claim these tax

credits, the taxpayer must have a Manufacturer Certification Statement to qualify. The consumer should be reminded to save receipts and the Manufacturer Certification Statement and that improvements made in 2009 will be claimed on their 2009 taxes (filed by April 15, 2010). The form is IRS Tax Form 5695 and should be available later this year.

In addition to consumer related retrofits, there are tax incentives for homebuilders. The Energy Star website explains how home builders may be eligible for a \$2,000 or \$1,000 tax credit. These tax credits apply to new homes that are "substantially complete" after August 8, 2005 and that are "acquired" from the eligible contractor for use as a residence from January 1, 2006 through December 31, 2009.

For example, a \$2,000 tax credit may be available for a contractor who builds a new energy efficient home that achieves 50 percent energy savings for heating and cooling over the 2004 International Energy Conservation Code (IECC). At least 1/5 (20 percent) of the energy savings must come from building envelope improvements.

The ENERGY STAR information explains that there may also be a \$1,000 tax credit to the producer of a new manufactured home achieving 30 percent energy savings for heating and cooling over the 2004 IECC or a manufactured home meeting the requirements established by EPA under the ENERGY STAR program. At least 1/3 (33.33 percent) of the savings must come from building envelope improvements.

One of the best places I have found in researching these incentives is the U.S. Department of Energy's – ENERGY STAR website. It can be found at www.energystar.gov. ▀



McCarthy Residence by John McDonald Co., Jupiter, FL

Many of the incentive-qualifying products, like this metal roofing material, are set at the ENERGY STAR™ level.

list of eligible improvements to include furnaces, energy-efficient windows and doors, insulation, and renewable energy such as geothermal heat pumps and solar. They are available for applicable home improvements placed in service from January 1, 2009 to December 31, 2010 and are for the taxpayer's principle residence only.

Tax credits amounts increased the